

# COST ANALYSIS

**Purpose: To establish cost reasonableness through comparison to recognized standards.**

**1. Identify the who, what, when, where and why:**

- Person preparing analysis and date prepared.
- Grantee/sub grantee (applicant) and Federal Information Processing Standard (FIPS)/applicant ID number.
- Project title.
- Address and facility being analyzed (if applicable).
- Project worksheets (PWs) numbers and versions, if applicable.
- Cost analyzed (using contract, estimates, invoices, etc.).

**2. Describe the project's history:**

- Brief introduction of the damaged elements that require cost analysis.

**3. Describe the party requesting the cost analysis and its intended purpose. Include relevant background information:**

- Brief introduction of cost analyzed, purpose and the party requesting cost analysis.

**4. Describe the key points of your cost analysis:**

- Define the Scope of Work (SOW) and correlate to cost.
- Segregate the project's eligible and ineligible costs. It is important to identify and include both.
- Define the costs expended by the applicant that require cost analysis.
- Define the quantity and quality of items used for the cost analysis to justify cost reasonableness.
- Break down how much individual parts of the project will cost.
- Explain how those costs correspond with your project's cost.

**5. Define the type of procurement:**

- Describe how you intend to buy (lump sum, unit price, etc.).

**6. Identify the specific method of cost comparison:**

- There are many different methods of comparison, including but not limited to:
  - Pre-disaster price for similar work.
  - Average costs for similar work in the same market.
  - National or industry recognized costs, from sources such as RSMeans or Marshal & Swift.
  - Others.

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7. **Explain the ways in which your selected comparables are alike; why “this is like that:”**
  - Adjust those comparables to account for any relevant differences such as:
    - Inflation (time value of money).
    - Price volatility in raw materials.
8. **Conclusion:**
  - Is the cost reasonable or not?
9. **Recommendation (if applicable):**
  - What action do you want taken?
10. **Include all references, citations and back up documentation relevant to your cost analysis.**

## Potential speed bumps that can impact your cost analysis:

- Location/market.**
- Historic preservation.**
- Market conditions:**
  - Scarcity.
  - Supply and demand.
- Applicant-specific circumstances:**
  - Capacity.
  - Financial condition.
- Land acquisition costs (price of land).**
- Professional service needs:**
  - Architects/engineers.
  - Project management.
- Freight/mobilization.**
- Quality of materials needed:**
  - Finishes or materials dictated by the technical specifications.